

Senate Finance Committee Briefing for the Fiscal Year 2020-21 General Appropriations Bill

September 8, 2020

BUDGET PROCESS through SEPTEMBER 2020

- H4014 - \$45M for DHEC immediate needs. Passed March 17th. As of August 31st a residual of \$18.7M remains in the account.
- H3411 – Continuing Resolution – Continued the FY19-20 budget into FY20-21. In addition, \$155M was appropriated from the Contingency Reserve Fund to the COVID-19 Response Reserve Account for specific COVID-19 related expenses. Passed May 19th. As of today, a residual of \$135M remains in the Account.
- H5202 – Authorization to spend federal CARES Act funds - \$1.2B allocated and \$668M left for Phase 2. Passed June 25th.

Presentations to the Committee

September 1st & 3rd

Tuesday, September 1st

10:00 AM	Mr. Frank Rainwater, Esq., Director, Revenue and Fiscal Affairs
11:00 PM	Mr. Brian Gaines, Director, Executive Budget Office
2:00 PM	Superintendent Molly Spearman, Department of Education
3:00 PM	Mr. Brian Stirling, Esq., Director, Department of Corrections
3:30 PM	Ms. Christy Hall, Secretary, Department of Transportation
4:00 PM	Mr. Duane Parrish, Department of Parks, Recreation and Tourism

Thursday, September 3rd

10:00 AM	Dr. Tim Hardee, President, SC Technical College System
10:30 AM	Dr. Rusty Monhollon, Director, SC Commission on Higher Education
11:00 PM	Mr. Dan Ellzey, Director, Department of Employment and Workforce
2:00 PM	Ms. Nanette Edwards, Director, Office of Regulatory Staff
3:00 PM	Mr. Marshall Taylor, Acting Director, DHEC
4:00 PM	Dr. Pat Cawley, President, MUSC Health

H5201 Fiscal Year 2020-21 General Appropriations Bill

Format Proposal for Senate version of the Bill, September 2020

Part I. Strike and insert amendment by the Finance Committee to the House version of H5201. Reference H3411 (the Continuing Resolution currently in effect) and state that the base of General Fund appropriations listed in Part 1A of the current chart of accounts remain in effect for the remainder of the fiscal year through June 30, 2021.

Lists out any recurring additions to the base of appropriation and direct the executive Budget Office to make any necessary adjustments to the chart of accounts. Currently, the General Fund revenue forecast exceeds the base of appropriation by only \$86M. The list of recurring increases above the Continuing Resolution base will likely be very short.

H5201 Fiscal Year 2020-21 General Appropriations Bill

Format Proposal for Senate version of the Bill, September 2020

Also included in Part I is the equivalent of Proviso 118.16 (Non-Recurring Revenue) from the FY19-20 Act. This proviso would list out the sources of non-recurring revenue at \$774,966,041. Further, the proviso includes any items the General Assembly wishes to fund.

Included in the recommendation from Chairman Leatherman will be a mid-year shortfall reserve fund of \$500M. Proviso language giving instruction to the Executive Budget Office will accompany this appropriation.

Part II. This section would be used for any budget provisos, whether deletions, additions or amendments to existing provisos.

H3210 - (Phase 2 of H5202, Federal Authorization of Coronavirus Relief Fund)

1. The amendment to H3210 will be a strike and insert amendment.
2. By way of information, a House Ways and Means Ad Hoc Subcommittee is currently meeting to develop a Phase 2 authorization.
3. Should the Finance Committee choose to authorize the maximum amount of reimbursement allowed in the CARES Act for the Unemployment Trust Fund (DEW), the amount of \$420M additional allocation (on top of the previously approved \$500M) will be listed in this bill.
4. There will be some unused authorizations from Phase 1, but the exact amount is unclear.
5. In order to maximize the use of the \$1.9 Billion federal allocation, language will be included in this bill allowing the Executive Budget Office to transfer authorization among categories based on a prioritization approved by the General Assembly.
6. Remember that the Coronavirus Relief Fund is a reimbursement for expenses related to COVID-19 related costs. The Fund is not a reimbursement for lost income. December 30th is the last day of activity for which reimbursements may apply. Any unused balance in the Fund is returned to the federal treasury.

Fiscal Year 2020-21 Appropriations Bill Process

August 2020

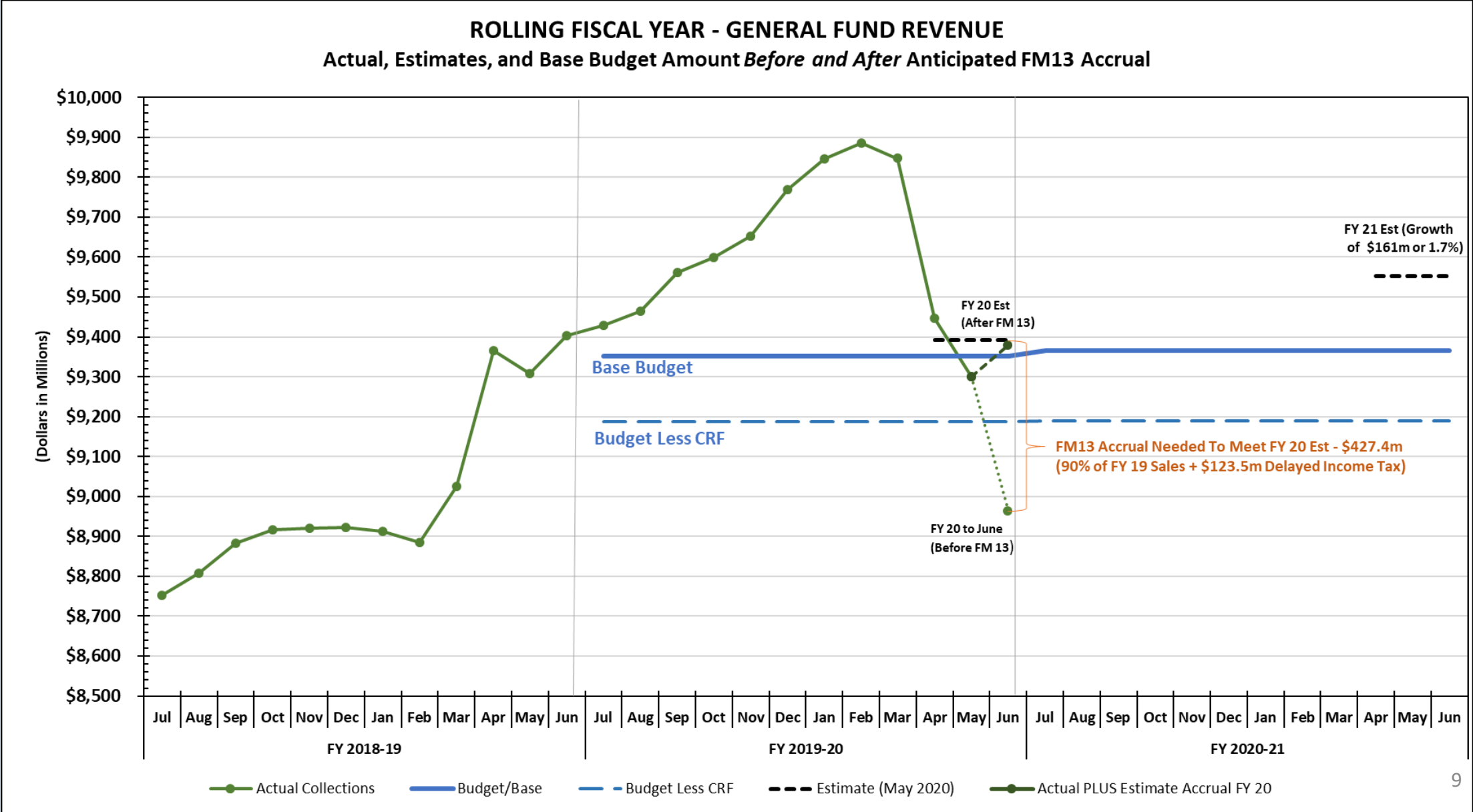
Resources:

Surplus and Unobligated Cash from Fiscal Year 2019 -20 Close Out	\$775 Million
Recurring General Fund Revenue Growth Above the Base of	
Appropriation for Fiscal Year 2020-21 per the Continuing Resolution	\$86 Million
Federal CARES Act Authorization Remaining	\$668 Million plus any unclaimed \$

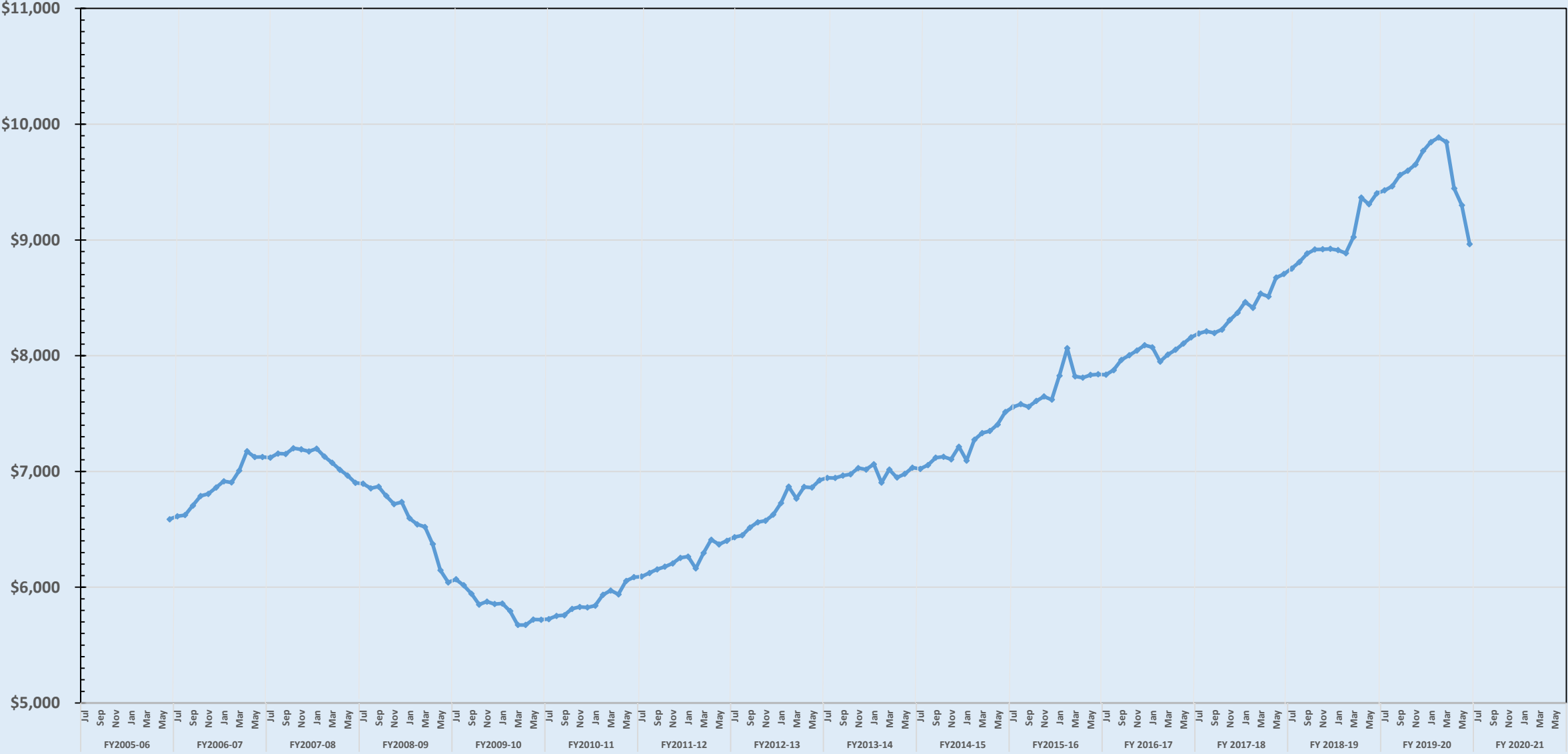
Reserve Funds

	2019-20 <u>Ending Balance</u>	<u>Required Addition</u>	2020-21 <u>Ending Balance</u>
General Reserve Fund	\$406,213,261	\$ 34,024,350	\$440,237,611
Capital Reserve Fund	\$162,485,305	\$ 13,609,739	<u>\$176,095,044</u>
Total Reserve Funds			<u>\$616,332,655</u>

Board of Economic Advisors – General Fund Revenue



TOTAL GENERAL FUND REVENUE
Rolling Fiscal Years - FY 2005-06 to FY 2019-20 (Before FM 13 Accrual)





General Fund Revenue (Accrual Basis Comparison) 2/
(\$ in Millions)

Month	Actual						Excess Revenue +/- Est.	Cumulative Revenue +/- Est.	Percent Changes Actual FY 18-19 to Actual FY 19-20	
	FY 15-16	FY 16-17	FY 17-18	FY 18-19	FY 19-20	1/ Guide FY 19-20			Monthly	Cumulative
July	398.6	395.0	428.9	475.9	502.4	497.9	4.6	4.6	5.6	5.6
August	631.2	670.9	689.1	744.8	780.3	791.5	(11.2)	(6.6)	4.8	5.1
September	819.2	907.9	893.5	967.7	1,064.5	998.0	66.5	59.8	10.0	7.3
October	671.3	711.1	740.7	775.4	812.6	814.6	(2.0)	57.9	4.8	6.6
November	590.2	630.2	712.1	714.5	768.5	756.5	12.0	69.9	7.6	6.8
December	824.3	871.0	933.2	936.2	1,053.5	990.9	62.7	132.5	12.5	8.0
January	861.7	843.3	937.1	926.4	1,002.7	981.1	21.7	154.2	8.2	8.0
February	356.5	233.8	183.5	157.1	196.7	159.5	37.2	191.3	25.2	8.5
March	297.7	357.4	480.1	619.6	580.3	644.3	(64.0)	127.3	(6.3)	7.0
April	575.4	617.8	592.7	933.1	533.0	989.0	(456.0)	(328.7)	(42.9)	0.6
May	641.2	694.5	858.1	800.5	654.8	846.9	(192.1)	(520.8)	(18.2)	(1.3)
June	878.6	922.9	939.1	1,013.1	1,014.4	1,067.3	(52.9)	(573.7)	0.1	(1.1)
<u>Mth13 Close</u>	<u>293.4</u>	<u>301.7</u>	<u>317.8</u>	<u>337.7</u>		<u>360.7</u>				
Fiscal Year	7,839.3	8,157.6	8,706.0	9,402.1	8,963.8	9,898.2				

Board of Economic Advisors

General Fund Revenue Forecast

BEA Revenue Forecast 8/31/20				
Tax Category	FY19-20	FY20-21	Difference	% Difference
Sales Tax	\$ 3,286,771,744	\$ 3,367,926,000	\$ 81,154,256	2.47%
Individual Income Tax	\$ 5,019,420,030	\$ 4,707,916,000	\$ (311,504,030)	-6.21%
Corporation Income Tax	\$ 423,052,193	\$ 375,560,000	\$ (47,492,193)	-11.23%
All Other Categories	\$ 1,064,033,527	\$ 1,048,701,000	\$ (15,332,527)	-1.44%
Gross General Fund Revenue	\$ 9,793,277,494	\$ 9,500,103,000	\$ (293,174,494)	-2.99%
minus: Tax Relief Trust Fund	\$ 614,053,000	\$ 629,405,000	\$ 15,352,000	2.50%
Net General Fund Revenue	\$ 9,179,224,494	\$ 8,870,698,000	\$ (308,526,494)	-3.36%

General Fund Revenue Shortfall Reduction Process (BUDGET CUTS)

SECTION 11 11 320. Capital Reserve Fund ((amended in 2010))

- (C)(1) In any fiscal year in which the General Reserve Fund does not maintain the percentage amount required by Section 11 11 310, monies from the Capital Reserve Fund first must be used, to the extent necessary, to fully replenish the requisite percentage amount in the General Reserve Fund. The Capital Reserve Fund's replenishment of the General Reserve Fund is in addition to the replenishment requirement provided in Section 36(A), Article III of the Constitution of this State. After the General Reserve Fund is fully restored to the requisite percentage, the monies in the Capital Reserve Fund may be appropriated pursuant to item (2) of this subsection. **The Capital Reserve Fund may not be used to offset a midyear budget reduction.**

SECTION 11 9 1140. Quarterly revenue estimates; reduction of general appropriations; action to avoid year end deficit (amended 2014)

- (B)(1) If at the end of the **first, second, or third quarter** of any fiscal year the Board of Economic Advisors reduces the revenue forecast for the fiscal year by **three percent or less** below the amount projected for the fiscal year in the forecast in effect at the time the general appropriations bill for the fiscal year is ratified, within three days of that determination, the Director of the Executive Budget Office must reduce general fund appropriations by the requisite amount in the manner prescribed by law.
- (2) If at the end of the first, second, or third quarter of any fiscal year the Board of Economic Advisors reduces the revenue forecast for the fiscal year by more than three percent below the amount projected for the fiscal year in the forecast in effect at the time the general appropriations bill for the fiscal year is ratified, then the President of the Senate and the Speaker of the House of Representatives may call each respective house into session to take action to avoid a year end deficit. If the General Assembly has not taken action within **twenty days** of the determination of the Board of Economic Advisors, then the Director of the Executive Budget Office must reduce general fund appropriations by the requisite amount in the manner prescribed by law and in accordance with item (1).

General Fund Mid-Year Budget Reductions

Percentage of Cut by State Agency

<u>Agency</u>	<u>Percentage of Cut</u>
• Department of Education	42.23%
• Department of Health and Human Services	17.94%
• Department of Corrections	5.77%
• Department of Disabilities & Special Needs	3.44%
• Department of Mental Health	3.22%
• Department of Social Services	2.58%
• Technical & Comp. Education	2.11%
• University of South Carolina - Columbia	1.98%
• Department of Health and Environmental Control	1.84%
• Department of Juvenile Justice	1.48%
• PEBA	1.36%
• Department of Public Safety	1.25%
• Clemson University (E&G)	1.21%
• DMV	1.16%
•	
• All Other State Agencies	12.43%

Thank you